



DEFENSE  
HEALTH AGENCY

**HPOD**

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**CHANGE 47  
6010.59-M  
MAY 7, 2019**

**PUBLICATIONS SYSTEM CHANGE TRANSMITTAL FOR  
TRICARE OPERATIONS MANUAL (TOM), APRIL 2015**

**The Defense Health Agency has authorized the following addition(s)/revision(s).**

**CHANGE TITLE: INTEREST PENALTY PAYMENT**

**CONREQ: 19818**

**SUMMARY OF CHANGE(S):** This change updates language regarding interest penalty payment made by the contractor.

**EFFECTIVE DATE: July 8, 2019.**

**IMPLEMENTATION DATE: July 8, 2019.**

**This change is made in conjunction with Apr 2015 TSM, Change No. 24.**

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Division (HPOD)  
Defense Health Agency (DHA)**



## Chapter 3

## Section 2

# Payments To Beneficiaries/Providers

Revision: C-47, May 7, 2019

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### 1.0 CHECKS

**1.1** When issuing checks for payments to beneficiaries and providers, the contractor shall use the following formats/statements:

- For non-underwritten funds, the check shall be dated the same date as the Initial Transmission Date (derived by the Defense Health Agency (DHA) and equal to the calendar date the Batch/Voucher is transmitted to DHA). For underwritten funds, the check shall be dated on the date the contractor makes payment.
- The words "TRICARE Payment" shall be printed in at least 18-point font at the top of the check.
- The TRICARE logo and the contractor's name and address shall be on the check.
- The following endorsement statement shall be printed using four or five point type in the 1.5 inches allotted on the reverse side of **all checks funded by the government (i.e., non-underwritten, not-at-risk, pass-through, Automated Standard Application for Payment (ASAP), Letter of Credit (LOC) payments)**. This will comply with Federal Reserve Bank Regulation CC (Availability of Funds and Collection of Checks) regarding check endorsements. The endorsement shall read as follows:

"This payment is made with Federal funds. Fraud in procuring, forging of signature or endorsement, or materially altering this check is punishable under the U.S. Criminal Code. IF PAYABLE TO A PARTICIPATING PROVIDER OF SERVICES - By endorsing this check, the undersigned payee agrees that he/she is subject to the terms of the participating agreement (assignment) as set forth in the TRICARE regulation."

- **The following endorsement statement shall be printed using four or five point type in the 1.5 inches allotted on the reverse side of all checks funded by the contractor (i.e., underwritten or at-risk payments). This will comply with Federal Reserve Bank Regulation CC (Availability of Funds and Collection of Checks) regarding check endorsements. The endorsement shall read as follows:**

**"IF PAYABLE TO A PARTICIPATING PROVIDER OF SERVICES - By endorsing this check, the undersigned payee agrees that he/she is subject to the terms of the participating agreement (assignment) as set forth in the TRICARE regulation."**

- A statement that the check must be negotiated within 120 calendar days.

**1.2** If the check is returned as undeliverable and the contractor is unable to locate the payee, an adjustment/cancellation TRICARE Encounter Data (TED) record shall be initiated within five work days of receipt of the returned check and the contractor shall complete the adjustment process to include submission of a TED record within the time line and procedures outlined in [Chapter 1, Section 3, paragraph 1.4.](#)

## **2.0 ELECTRONIC FUNDS TRANSFER (EFT)**

(TRICARE Overseas Program (TOP)/foreign contractor, see [Chapter 24, Section 3, paragraph 2.5.](#))

**2.1** Upon request by the provider the contractor is required to make EFT payments provided payment is made in U.S. dollars to a U.S. bank account or the other U.S. financial institution. Payments may be made by EFT to beneficiaries. Underwritten EFTs shall be done prior to submission of the related TED record to DHA. Non-underwritten EFTs shall be done within two federal workdays after receiving payment approval from DHA. Rejected EFTs may be paid as checks. If the check is returned as undeliverable and the contractor is unable to locate the payee, an adjustment/cancellation TED record shall be initiated within five work days of receipt of the returned check and the contractor shall complete the adjustment process to include submission of a TED record within the time line and procedures outlined in [Chapter 1, Section 3, paragraph 1.4.](#)

**2.2** The contractor may require providers who submit claims electronically to also accept an electronic Remittance Advice (RA) and to receive payment by EFT. EFTs and RAs sent from the contractor to the provider must be in Health Insurance Portability and Accountability Act (HIPAA) standard format as specified in [Chapter 19, Section 2.](#)

## **3.0 INTEREST PAYMENTS**

**3.1** In accordance with 10 United States Code (USC) 1095c(a)(2), the contractor (other than TOP and TRICARE Pharmacy (TPharm)) shall pay interest to providers or beneficiaries in accordance with the conditions detailed under [paragraph 3.0](#) on all "clean claims" that have not been processed in a timely manner for both underwritten and non-underwritten payments. The term "clean claim" means a claim that has no defect, impropriety (including a lack of any required substantiating documentation), or particular circumstance requiring special treatment external to the contractor's prepayment operation that prevents timely payment on the claim under this section. All clean claims must be processed to completion not later than 30 days after the date that such claims are received by the claims processor. Interest shall not be paid on:

- Claims processed by the TOP contractor or the TPharm contractor.
- Claims pended at Government direction that the Government has specifically directed the contractor to hold for an extended period of time.
- Claims requiring Government intervention.
- Claims requiring development for potential Third Party Liability (TPL).

- Claims requiring an action/interface with another Prime contractor (as defined in [Appendix A](#)).
- Full denials.
- Claims on which no payment is due.
- Claims requiring external investigation or development.
- Any claim pending for recoupment or future offset.

Beginning with the 31st day following the date of claim receipt until paid, simple interest shall be calculated during the month, at the end of each month the total interest due (if still unpaid) shall be added to the principle with simple interest calculated on the new principal amount. If payment is less than 30 days late the following formula may be used:

$$P (r/360 \times d)$$

If the payment is over 30 days past due the following formula may be used:

$$P (1 + r/12)^n \times (1 + (r/360 \times d)) - P$$

Where:

$P$  equals the principle or invoice amount;

$r$  equals the interest rate;

$n$  equals the number of months; and

$d$  equals the number of days for which interest is being calculated (beyond the monthly increments).

The first part of the "over 30 days past due" equation calculates compounded monthly interest. The second part of the equation calculates simple interest on any additional days beyond a monthly increment. The interest rate used for calculation purposes shall be based upon the Prompt Payment Act (PPA) (31 USC Chapter 39) Interest Rate in effect on the date payment is made. The current and prior PPA interest rates can be found at <https://www.fiscal.treasury.gov/fs-services/gov/pmt/promptPayment/rates.htm>.

**3.2** The contractor shall include interest in the benefit check/EFT regardless of which bank account (contractor's or government's) is used to make payment. Interest shall be paid to the nearest penny. The maximum interest penalty period shall be one year. All interest shall be paid to the recipient of the benefit check/EFT; however, if a payment is split as a result of a beneficiary overpaying a provider, the interest payment shall be made, in total, to the provider.

**3.3** Interest penalty payments and reasons for interest penalty shall be reported on the TED submission in a separate field as specified in the TRICARE Systems Manual (TSM), [Chapter 2, Section 2.3](#). Total interest paid shall not be included in the "Total Government Dollars Paid" field. The "Total Amount

Paid" report on the voucher header record shall equal the dollar amount of payments (which will be a combination of "Total Government Dollars Paid" and "Interest Payment").

**3.4** The contractor is fiscally responsible for all interest payments made under 10 USC 1095c(a)(2) except when an otherwise 'clean claim' is received and the delay in payment is caused by the government's failure to meet our contractual obligation to provide information needed in normal day-to-day operations to complete the adjudication process (e.g. inability to connect to Defense Enrollment Eligibility Reporting System (DEERS) where the government is at fault). On a daily basis, DHA Contract Resource Management (CRM) will reconcile the TED record submissions (by voucher header) to determine the total interest payment amounts reported and the total interest amounts owed by the responsible party (based on the code used in the Interest Reason field). Based upon the results of the reconciliation, the DHA CRM will either pay the contractor, or deduct the interest payment amount due from the contractor. Any amounts owed to or due from the contractor will be settled by the payment office at the same time the benefits payments are made for underwritten claims or within seven calendar days of receipt for claims paid from non-underwritten accounts.

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## Chapter 3

## Section 4

### Stale Dated, Voided, Or Returned Checks

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#### 1.0 CANCELLATIONS AND STALE DATED CHECKS

Checks will stale date at 120 calendar days following the date on the check. Related TRICARE Encounter Data (TED) record adjustments/cancellations shall be submitted no sooner than 20 calendar days after the 120 calendar day stale date. (This is to allow for checks that have been presented by the 120th day to clear the banking system.)

#### 2.0 REPLACEMENT CHECKS

If a payee, or the estate or guardian of the payee, requests in writing reissuance of a stale dated check or claims non-receipt of a check, the contractor will honor the request. **When issuing a replacement check the contractor shall follow all underwritten or non-underwritten (as applicable) TED data submission requirements and check release procedures outlined in Section G of the contract.**

#### 3.0 REISSUANCE OF CHECKS WHEN ORIGINAL PAYEE IS DECEASED

Checks and Electronic Funds Transfers (EFTs) issued by the contractor shall be made payable to the legal representative of the estate of the person concerned with an additional line stating "For the estate of \_\_\_\_." Checks shall not be payable to the "estate of" a decedent, nor to a deceased person. Checks shall be delivered to the named payee or mailed to the payee's address of record.

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